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ORIGINAL

EX PARTE OR LATE FILED

August 12, 1999

NOTICE OF <u>EX PARTE</u> PRESENTATION

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *In the Matter of Applications for Transfer of Control to SBC Communications Inc.
of Licenses and Authorizations Held by Ameritech Corporation , CC Docket No.
98-141*

Dear Ms. Salas:

Please be advised that on Wednesday, August 11, the undersigned had an oral ex parte
communication with Robert C. Atkinson, John Stanley, Daniel Shiman and Eric Einhorn
of the Common Carrier Bureau in connection with the above-referenced matter. The
purpose of our discussion was to address staff's questions concerning SBC/Ameritech's
proposed merger conditions; and in particular, the proposed performance parity and
penalty plan. The attached documents were provided to the staff in connection with these
discussions.

In accordance with the Commissions rules concerning <u>ex parte</u> presentations, one copy of
this notice is provided. Should you have any questions concerning this matter, please do
not hesitate to contact me.

Respectfully submitted,

Attachment

cc: Mr. Atkinson
       Mr. Stanley
       Mr. Shiman
       Mr. Einhorn

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List ABCDE

Tier III Cost Calculations

The accompanying excel worksheet provides a simple picture
of how annual penalty amounts could change assuming various
levels of performance and market size.

This worksheet is not a simulation in the statistical sense.

The latest data indicates that the FCC has requested 32
performance measures. Depending on the particular state and
number of CLECs within the state these 32 performance
measures will result in anywhere from 100 to 300 sub-
measures. Since penalties are based on sub-measures this is
our starting point for the calculations. Figures are
provided for 100, 200, and 300 sub-measures.

At parity it is expected that the ILEC would virtually never
miss a measurement under Tier III since the probability of a
miss is 0.000125. However there is always a residual chance
of failure, so even at parity there is a small cost.

State size and level of CLEC activity are reflected in the
calculation by varying the average number of observations
the ILEC is penalized for when a measurement is out of
parity. Calculations are done assuming average number of
observations per missed measurement penalized for are 150
(big state/high volume), 100 (medium state/medium volume)
and 50 (small state/low volume)

Calculations are done assuming parity, 5%, 10% and 25%
failure across the number of measurements.

Failed measurements are allocated to a High, Medium, and Low
classification and to 'payable on a per observation' or 'per
measure' basis. This is done by counting the number of
measures that fall into each of these groups based on the
latest FCC list.

Cost values for each observation and each measurement were
taken from the Attachment A-4 of the Texas plan.

Final cost estimates or annualized.

Analysis of Expected Cost Impact of FCC Tier 3 Compliance Enforcement Proposal

N	Number of Misses	Annual Cost for Tier II Hi Volumne 150 observations	Annual Cost for Tier II Med Volumne 100 observations	Annual Cost for Tier II Lo Volumne 50 observations
		PARITY		
100	0.0103	$7,271	$5,105	$2,939
200	0.0186	$13,097	$9,195	$5,294
300	0.0273	$19,264	$13,526	$7,788

assume 5% of measures missed non-randomly, remaining misses due to random variation

100	5.0103	$3,532,271	$2,480,105	$1,427,939
200	10.0186	$7,063,097	$4,959,195	$2,855,294
300	15.0273	$10,594,264	$7,438,526	$4,282,788

ASSUME 10% OF MEASURES MISSED NON-RANDOMLY REMAINING MISSES DUE TO RANDOM VARIATION

100	10.0103	$7,057,271	$4,955,105	$2,852,939
200	20.0186	$14,113,097	$9,909,195	$5,705,294
300	30.0273	$21,169,264	$14,863,526	$8,557,788

ASSUME 25% OF MEASURES MISSED NON-RANDOMLY REMAINING MISSES DUE TO RANDOM VARIATION

100	25.0103	$17,632,271	$12,380,105	$7,127,939
200	50.0186	$35,263,097	$24,759,195	$14,255,294
300	75.0273	$52,894,264	$37,138,526	$21,382,788

Values used in estimating cost.

Classification	Probability	Cost
High/per observation	0.59375	$500
Medium/ per observation	0.15625	$300
Low/ per observation	0.03125	$200
High/per measure	0.00000	$75,000
Medium/per measure	0.18750	$30,000
Low/per measure	0.03125	$20,000
	1.00000	